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Sankaty Advisors

December 2, 2010

Dear Sankaty Credit Opportunities IV Offshore Investor,

We are pleased to report that the COPs IV Offshore Fund returned 3.8% gross and 2.5% net of all fees and expenses in the second quarter, resulting in year-to-date returns of 13.8% gross and 9.1%. Since inception, the Fund has generated a 23.0% net IRR and 1.43x net multiple of money on an estimated basis. This compares very favorably versus the returns of the public credit (13.0% for the JPM HY Index) and equity (-2.8% for the S&P 500) indices over the comparable period. The Fund made its fourth distribution of realized profits and income in October, bringing total distributions to Limited Partners to $405 million, which is more than 20% of your committed capital and 30% of your called capital. We anticipate continuing these distributions of realized profits as we exit investments throughout the life of the Fund.

Market Review

In the third quarter, the leveraged loan and high yield markets rebounded from their negative performance in the second quarter. Attractive refinancing opportunities lured issuers into the market as they continued to chip away at near-term loan maturities. Heavy institutional inflows into the asset class matched the new issue supply as economic data, corporate earnings and defaults all trended better. Consequently, strong, positive momentum characterized the credit markets in the third quarter.

While much has been written about the record high-yield new issuance in 2010 and how it has helped many borrowers push out maturity dates extending their day of reckoning, the fact remains that over $160 billion of 2012-2013 outstanding debt maturities have yet to be addressed. The majority of these are good businesses that are simply overlevered, which challenges the ability to refinance. Even for those 2010 high-yield issuers fortunate enough to push out their maturities, many have not changed the over-leveraged nature of their balance sheets. In fact, CCC high-yield issuance has continued to trend upwards in 2010, which we anticipate will generate substantial new distressed opportunities. While we continue to see opportunities in the current environment, we believe that the recent new issuance as well as the existing stock of distressed credits will fuel a robust distressed cycle over the next 2-4 years, especially if the economic recovery remains relatively weak.

Portfolio Review

Our rotation of the portfolio continued during the third quarter, as we generated over $530 million from repayments and from exiting positions that surpassed our price targets. We invested over $500 million in new opportunities in the quarter, and the combined Funds remain well positioned with over $1 billion of dry powder to take advantage of any market pullback.

In the stressed and distressed portfolio, we exited a number of positions, including Lyondell (as it emerged from bankruptcy), Citadel (broadcast media), Endemol (producer of Big Brother), Outback Steakhouse and Fitness First (health clubs) as these securities met or exceeded our price targets. In addition, Frontier Oil repaid our second lien notes in the third quarter in conjunction with its sale to Noble Corporation. We also sold our position in Wind, a European telecom credit that we purchased in the second quarter in the European selloff. Given the 13 point rally in Wind's bonds, it no longer met our hurdle returns, so we booked the profit and closed out the position. We would expect to see similar dislocation opportunities in the coming months as the markets digest mixed economic data, causing good companies to trade off on bad news.

We found a number of European opportunities in the third quarter as European banks reduced loan exposure to comply with tighter financial regulations. We purchased first lien debt in both EMAP, a leading publisher of trade magazines and a purveyor of industry conferences, and Frans Bonhomme, a distributor of plastic pipes to the construction industry. In the restructuring of Alinta, an Australian utility, we took an active role in thwarting the attempts of a group of control distressed investors to take disproportionate economics for their group. Our plan, which gained the support of the vast majority of first lien lenders, resulted in the best outcome for the first lien creditor class and avoided a long, contentious bankruptcy.

We continue to rotate our small public equity portfolio, exiting Children's Place (at a 1.3x multiple) and Pactiv (at a 1.4x multiple) during the third quarter after a holding period of less than a year. We continue to rotate our small public equity portfolio, exiting our Children's Place and Pactiv investments in the quarter, generating 1.3x and 1.4x multiples, respectively, on investments held less than a year. We added positions, such as Verint and Reliance Steel, that have low leverage, generate strong free cash flow and are industry leaders with strong competitive positions. Given our deep understanding of Lyondell, resulting from our close tracking of the company through bankruptcy, we added the position to the equity portfolio. As demand in chemicals recovers, we expect additional improvement in the business.

The table below highlights the Fund's year-to-date outperformance of its liquid asset benchmarks in loans, bonds and public equities.

COPs IV Offshore YTD Liquid Credit Performance

	Avg % of Portfolio	YTD ROA	YTD Index	
Loan	53%	14.9%	6.8%	LSTA
Bond	18%	20.9%	11.4%	JPM HY
Public Equity	29%	15.1%	3.9%	S&P 500
Total	**100%**	**16.3%**		

The third quarter proved to be active in our private market efforts as we invested in the RBS WorldPay transaction, providing mezzanine capital in support of that buyout. Given the leverage profile and business stability, we feel this private transaction provided an incremental 500-700 basis point return versus comparable public high yield alternatives. Our middle market group had a relatively quiet third quarter with no new investments, but, in October, we financed the

buyout of a specialty chemical distributor, providing subordinated notes in the transaction. Our new deal pipeline remains full, and we anticipate closing a couple of transactions in the fourth quarter of 2010 as business owners look for liquidity in the face of uncertainty surrounding the expiration of tax cuts.

The structured credit portfolio largely consists of BBB and higher rated tranches. Given the low default rate environment, high recovery rates and our superior credit selections, coupled with the trading flexibility of the CLO portfolios, we anticipate continued strong performance in these holdings. We have been actively looking in the secondary market to acquire CLO debt and equity tranches of portfolios that have a high overlap with names we already follow closely. Given the improving economic outlook, we believe these secondary purchases can generate strong returns for the Fund.

Outlook

We believe that the uncertain economic environment in the U.S. will present attractive investments in the fourth quarter of 2010. In addition, we should continue to see attractive opportunities in Europe coinciding with the renewed focus on the financial stability of the region. As we mentioned in the second quarter, middle market and main street lending are still heavily constrained, thus providing a robust pipeline of new investment options in stable businesses in unique industry segments. Given the Fund's current liquidity and remaining undrawn capital, it is well positioned to capitalize on these opportunities and generate attractive risk-adjusted returns.

In an effort to continue to provide better service to our partners, we are pleased to welcome two new senior professionals to our Investor Relations team, Dorothy Crocker (dcrocker@sankaty.com) and Tom Sargeant (tsargeant@sankaty.com). Dorothy will be based in our New York City office while Tom joins the Sankaty team in London, which will enable us to provide more timely service to our European and international investors.

Attached is a snapshot of the current portfolio and our positioning. As always, we are available to discuss any of this information or answer any questions you may have. Please feel free to contact us directly.

Sincerely,

Sankaty Advisors

SANKATY CREDIT OPPORTUNITIES IV Offshore, LP
STATISTICAL SUMMARY
(as of September 30, 2010)

STATISTICAL ANALYSIS* [1,2]

	Q3 2010 Gross Return	Q3 2010 Net Return	2010 Gross Return	2010 Net Return	Sharpe Ratio
Sankaty Credit Ops IV Offshore	3.8%	2.5%	13.8%	9.1%	2.0
S&P 500 (w/ dividends)	11.3%	11.3%	3.9%	3.9%	0.0
JPM Index	6.3%	6.3%	11.4%	11.4%	0.7
LSTA Loan Index	3.3%	3.3%	6.8%	6.8%	0.5

* Net returns are net of all fees, expenses and carry.

TOP ISSUERS[3]

Top 10 Issuers (excluding Mezz & Structured)

Issuer	Fund Net Equity %
Seven Media	2.0%
Kabel Deutschland	1.9%
Alinta Energy	1.9%
RBS Worldpay	1.8%
US Airways	1.7%
EMAP	1.7%
Aleris Int'l	1.6%
Goodyear Engineered Products	1.6%
Chaparral Energy Inc	1.5%
Millennium Inorganics	1.3%

Top 5 Mezzanine Issuers

Issuer	Fund Net Equity %
Weather Channel	3.4%
Turner Brothers	1.9%
Rotorcraft	1.6%
LLOG Exploration Company, L.L.C.	1.3%
Rug Doctor	1.2%

Top 5 Structured Issuers

Issuer	Fund Net Equity %
Beach Street V	2.4%
Beach Street IV	1.6%
Thomas Point II	1.0%
Stone Tower 7 CLO LTD	0.9%
Babson 2006-1	0.5%

FUND NET EQUITY ($m)

	06/30/10	Profits	Net Contributions/ (Distributions)	09/30/10
Partners' Capital	$1,405.1	$45.6	$0.0	$1,450.7

ITD Contributions	ITD Distributions	Net IRR*	Net Multiple*
$1,181.5	-$398.9	23.0%	1.43

*Net IRR and Multiple are net of all fees, expenses and carry.

BALANCE SHEET (MV in $m)

	Long (A)	Short (B)	Net (A)-(B)	Gross (A)+(B)
Cash	$372.0	$0.0	$372.0	$372.0
Collateral (Restricted Cash)	$29.7	$0.0	$29.7	$29.7
	$401.7	$0.0	$401.7	$401.7
By Asset Class				
Loans	425.9	0.0	425.9	425.9
Bonds	105.8	0.0	105.8	105.8
CDS/LCDS[3]	13.3	24.6	-11.3	37.9
Mezzanine (Private Debt)	273.6	0.0	273.6	273.6
Equity (Public & Private)	288.4	0.0	288.4	288.4
Structured[3]	125.0	0.0	125.0	125.0
	$1,232.0	$24.6	$1,207.4	$1,256.6
By Region				
North America	$819.7	$0.0	$819.7	$819.7
Europe	262.4	24.6	237.8	287.0
Other	149.9	0.0	149.9	149.9
	$1,232.0	$24.6	$1,207.4	$1,256.6
By Industry				
Structured Finance Obligation	$117.9	$0.0	$117.9	$117.9
Building and Development	115.2	0.0	115.2	115.2
Oil and Gas	106.2	0.0	106.2	106.2
Non-Industry Specific	94.0	0.0	94.0	94.0
Cable Television	82.1	0.0	82.1	82.1
Automotive	102.1	24.6	77.5	126.7
Telecommunications/Cellular communications	66.4	0.0	66.4	66.4
Nonferrous Metals/Minerals	50.1	0.0	50.1	50.1
Utilities	49.3	0.0	49.3	49.3
Publishing	48.3	0.0	48.3	48.3
Other	400.4	0.0	400.4	400.4
	$1,232.0	$24.6	$1,207.4	$1,256.6
Exposure (% of Equity)†	84.9%	1.7%	83.2%	86.6%

†Exposure % is based off of total assets excluding cash

1 Portfolio returns are computed based on the change in value during the period of a theoretical investment made at the beginning of the period. The change in value of a theoretical investment is measured by comparing the aggregate ending value of Limited Partners with the aggregate beginning value adjusted for cash flows related to capital contributions or withdrawals during the period. Returns are geometrically linked on a monthly basis. Investment performance results depict the return of the Limited Partners of the Partnership as a whole. Returns of individual Limited Partners may differ based on the timing of contribution to or withdrawal from the Partnership. Investment performance reflects the reinvestment of profits, dividends and income. Net returns are stated net of all fees, expenses and carry (see footnote 2). Returns are estimated as of September 30, 2010 and are stated before the finalization of quarterly financial statements. As with all unaudited estimates, these estimates are subject to uncertainties and variations and may not be predictive of final results once audited. Actual outcomes and results may differ materially from the returns indicated herein.

2 Generally, the General Partner is entitled at year-end to a carry allocation equal to 20% of Net Profits for such fiscal year as discussed in the Limited Partnership Agreement. For purposes of presentation herein, the carry allocation has been included as a periodic expense and has been calculated on the Net Profits for the period. The Management Fee is a quarterly fee paid to Sankaty Advisors, LLC generally equal to 2% of each Limited Partner's capital account at the beginning of each quarter.

3 Single name CDS/LCDS, Tranche CDX, LCDX, Structured CDS and Index CDX/LCDX are included at notional value plus mark to market, indicative of the long or short market risk related to these exposures.